

C. DUKES SCOTT
EXECUTIVE DIRECTOR

P.O. Box 11263
Columbia, S.C. 29211



Phone: 803-737-0800
Fax: 803-737-0801

DAN E. ARNETT
CHIEF OF STAFF

181791

KATIE C. MORGAN
DIRECTOR
TELECOMMUNICATIONS, TRANSPORTATION, WATER/WASTEWATER

September 12, 2006

Charles L. A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

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SC PUBLIC SERVICE
COMMISSION

RE: Intrastate Universal Service Fund, Docket No. 1997-239-C

Dear Mr. Terreni,

The purpose of this letter is to obtain the approval of the SC Public Service Commission to include \$106,198 in administrative expense in the South Carolina Intrastate Universal Service Fund (SC USF).

S.C. Code Ann. Section 58-9-280 (as amended by 2006 S.C. Acts 318) designates the Office of Regulatory Staff as the administrator of the SC USF. In February 2005, the Legislative Audit Council (LAC) issued A Review of the South Carolina Universal Service Fund in which it recommended that ORS "investigate the costs and benefits of hiring an experienced fund administrator..." To this end, ORS issued a Request for Proposals for USF fund administration as well as optional auditing services for monitoring companies contributing to and receiving from the Fund. The RFP was issued in April 2006 and responses were received in May 2006. ORS received only one response for Fund Administration and two responses for optional auditing services. When comparing the costs incurred by ORS in administering the fund with the prices presented in the proposals, ORS determined that it is more cost effective to continue to administer the USF in-house than to out-source this function to a third party.

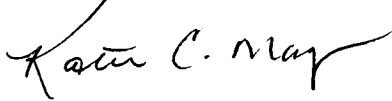
The LAC also recommended that ORS should "use the resources of the USF to cover the costs of administration." Administrative Expenses are defined in Order No. 2001-996 as "costs incurred by the Commission-designated Administrator of the SC USF in the administration of the SC USF, including the audit expenses of an independent third party.

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The sole purpose of this component is to recover Commission –approved costs for administering the SC USF.” In determining administrative costs, ORS considered staff time and data processing requirements directly associated with fund administration. A breakdown of these expenses is listed on Exhibit A. Upon Commission approval, ORS will include these expenses in the next USF resizing scheduled for October 2006.

The ORS is available to brief the Commission on this information if deemed necessary. Your expeditious review and approval of this request is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Katie C. Morgan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Katie C. Morgan

Attachment

Annual Universal Service Fund Administration

Amount Required

Fund Administration

Billing of fund assessment, monthly determination and assessment of late payment penalties, monthly disbursements, preparation of monthly and annual financial reports and statements, perform annual true-up process, provide support for annual independent financial audit.

\$47,606

Auditing of Fund Contributors and Recipients

Audits the reported revenues for companies paying into the fund. Audits recipients of the fund to ensure that costs have been accurately captured.

\$58,592

Total Administration

\$106,198

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